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UNCLAS SECTION 01 OF 02 HANOI 001840

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TAGS: [ECON](#) [CASC](#) [SOCI](#) [VM](#)

SUBJECT: HANOI'S TOURIST LANDSCAPE AND POST-SARS TERRAIN

1. (U) Summary. Tourism dropped significantly in Vietnam due to SARS -- at least 30 pct nationwide and as much as 90 pct in Hanoi -- in spring 2003. The GVN is trying to get back on track with new promotions and reach earlier targets for 2005. Europeans and Americans, combined, make up about 20 pct of total visitors; Chinese comprise nearly 28 pct. Hanoi tour operators have blamed "excessive" media coverage of SARS for the continuing dearth of tourists. End Summary.

THE OFFICIAL VIEW: BAD, BUT JUST WAIT

2. (U) According to statistics provided by the Vietnam National Administration of Tourism (VNAT), 2.6 million international visitors came to Vietnam in 2002, including approximately 260,000 Americans. Available nationwide figures released by VNAT showed a modest year-to-year increase in March 2003 of 1.3% (to 219,302 from 216,488), but a sharp year-to-year drop of 30% in April (from 222,299 to 155,165). The drop-off was even steeper in May -- 54 % - - from 217,169 to only 99,816. Figures are not yet available for June. (Note: VNAT listed 724,390 Chinese visitors in 2002; it is unclear whether this number includes those who enter Vietnam for daily commerce in border towns. end note)

3. (U) VNAT now estimates that 1,830,000 international visitors will arrive in 2003, a 31% reduction from 2002. VNAT predicts that it will not be before 2004 that monthly visitor averages return even to 2001 levels. Despite these gloomy numbers, VNAT has reiterated Vietnam's tourism goal for 2005 of 3.5 million international arrivals. VNAT Vice Chairman Pham Tu has described publicly the GVN's measures taken to combat SARS in Vietnam, including: tightening border controls; imposing temporary restrictions on tourists from SARS-affected areas; and offering training courses on preventing and containing SARS. As part of VNAT's strategy for attracting tourists back to Vietnam, it is utilizing familiarization trips, press-trips from SARS-free source markets, hotel price promotions, and television advertisements, as well as taking Vietnam's message abroad on road shows and to international tourism fairs.

PRIVATE SECTOR BLUES

4. (U) At a recent luncheon to publicize Embassy's American citizen services, Hanoi tour operators (variously catering to clients from backpackers to high-end travelers) complained about drops in tourism of as much as 85 to 90% over the past four months due to SARS. Stressing that tourism was the "first to suffer, but the last to recover" from such problems, the group described 2002 as a "very good year," and admitted that year 2004 would be the "real key" to assessing the longer-term impact from SARS. Tour operators also complained that "excessive" media coverage of SARS had compounded the problem for the tourist industry, but expressed appreciation for the fact-oriented, objective information produced by WHO and CDC.

5. (U) Tour operators also described new efforts to provide additional services beyond those normally found in regional destinations such as Malaysia and Thailand. One of the larger tour operators promotes Vietnam as a distinctly "cultural destination." In this vein, most operators try to stress the uniqueness of Vietnam with a rich cultural heritage to enjoy, exemplified by Vietnam's ethnic minorities.

6. (U) Most of these tour operators claimed their current policies were to avoid discounting prices in order to lure back travelers, however. One Vietnamese-owned firm noted that its clientele consisted mainly of European travelers who book tours after arriving in Vietnam -- "walk-ins." (Because these travelers have already invested in travel to Vietnam, the logic goes, operators can set pricing to reflect a certain willingness to bear higher prices.) Online bookings remain a small slice of several companies' overall tour bookings, with operators noting that technology can cut both ways: online cancellations were proportionate to online bookings during SARS-period.

17. (U) Comment: The challenges to returning to profitability and riding out the post-SARS storm remain formidable. Vietnam's hosting of the SEA Games in December 2003 should provide a pick-up in regional bookings, while the expected 2004 ASEM summit should provide good international exposure. Relatively low labor costs also help the tourism sector to absorb the unexpected downturn, but tourism officials in both the private and public sectors continue to have their work cut out for them.
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